



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

NO PROTEST RECEIVED
Release to Manager, EO Determinations - Cincinnati

DATE: [REDACTED]

SUBVANCE [REDACTED]

Date: JUL 31 2001

Contact Person: [REDACTED]

Identification Number: [REDACTED]

Contact Number: [REDACTED]

Employer Identification Number: [REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(25). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

You are an irrevocable trust, created under the Laws of the Country of [REDACTED] on [REDACTED] pursuant to "A Contractual Agreement Constructed As A [REDACTED] Exempt Trust."

The property conveyed to the Trust is technology for the design and development of a series of [aviation] systems which will provide on-board Position Awareness Alert System, designed to:

- Make mid-air collisions nonexistent
- Automatically warn other aircraft to prevent mid-air collisions; warn aircraft automatically before it leaves the parameters of assigned altitude and selected itinerary.
- Automatically take evasive action to prevent mid-air collisions while on auto-pilot.
- Accurately guide aircraft from its departure point to its arrival destination within the high-density corridors of Air Traffic Control (ATC) centers.
- Give pilots "real time" pictorals of aircraft positions while landing or taking off during non-visual conditions by using Advanced Graphics Virtual Display (AGVD).
- Prevent collisions with terrain and other fixed obstacles while flying in non-visual weather conditions.

- Automatically control and bring an aircraft to a safe altitude in the event of rapid cabin decompression rendering the pilot unable to respond, or has a temporary loss of consciousness.
- Eliminate the need for voice communication and/or translation, i.e., English to French, or Japanese to English, using voice communication only in emergency situations.
- Navigate; cross-calculate the aircraft's position data in reference to the aircraft's filed flight plan. Work in conjunction with any other navigation systems, digital, analog, or work as a total "stand alone" system.

In your application you described your proposed activities as planning to create, improve and further advance the technology of the now existing "Black Box" in aviation. Through research and development you will be able to provide some one-hundred additional bits of information that will greatly enhance flying safety on a global basis. All data will be relayed continuously back to the departure location and/or the arrival location after a plane is past the midway range.

You plan to start your activities after you arrange for a loan to secure the patent and start the research and development which will take some three years, after which the electronic circuits will be verified and the production of the components will begin. The FAA will investigate and approve the invention for your patents and installation on airplanes on a global scale.

Once the approvals are issued, you state that you will be provided a facility in the [REDACTED] area in an industrial park in a top high security building for the protection of proprietary secret computer data.

Also in your application you represented that no organizations existed for which you would hold title. You stated that you were a new startup venture, who would be dormant until you obtain resources to develop your schematics off the computer.

In response to our request for additional information needed to clarify the type of property to which you would hold title and the beneficiaries for whom you would hold title, you stated that you were interested in acquiring and holding title to undeveloped property and securing loans to develop the property to have cash flow to clear the debt and thereafter to divide the net profits among your beneficiaries.

You also responded that you intend to develop major "Black Box" technological advancements by your (to be formed) research and development team of computer experts all ready to join you as members/beneficiaries. Proprietary consideration will restrict mechanical disclosure, however this property, when developed will be required and demanded as approved by the FAA. This equipment will be a source of revenue which will further your expansion and increase your programs. This major advancement in the flying public's safety will save lives and property. You will hold the copyrights, patents, production, sales, distribution and maintenance of all produced units in airplanes and the control towers. This will be a global endeavor immediately.

Relevant portions of your Declaration Of Irrevocable Trust provide as follows:

102. The expressed intent of this Exempt Trust is to sustain and improve the Trust estate so that the BENEFICIARY(ies) may possess the essentials of life sufficient to provide for growth, health, protection, education, refinement, creation, welfare, expansion, preservation and continuation and not be just an arrangement to protect and conserve the property for the BENEFICIARY(ies).

(1) This Trust may purchase, lease, option, borrow, sell, lease-out, assign, divide, transfer, invest, pledge, encumber, lien or hypothecate, any existing or soon to be acquired asset of good, clean, non-criminal origin, as the Trustee deems fit for the specified objectives herein.

104. The Settlor hereby irrevocably assigns to the trustee, in trust, specific properties as defined in Minute Number 1, hereto attached. In exchange for one-hundred units of beneficial interest, hereinafter referred to as Interest Bearer Shares (IBSs), that shall be of an equivalent, and yet indeterminate value to both parties.

(1) The Trust hereby created will also be considered a "spendthrift" or "protective" Trust as per the [REDACTED]

Section 501(c) (25) of the Code provides for the exemption from federal income tax of:

(A) Any corporation or trust which—

(i) Has no more than 35 shareholders or beneficiaries,

(ii) has only 1 class of stock or beneficial interest, and,

(iii) is organized for the exclusive purposes of—

(i) acquiring real property and holding title to, and collecting income from such property, and

(ii) Remitting the entire amount of income from such property (less expenses) to 1 or more organizations described in subparagraph (C) which are shareholders of such corporation or beneficiaries of such trust.

For purposes of clause (iii), the term "real property" shall not include any interest as a tenant in common (or similar interest) and shall not include any indirect interest.

(B) A corporation or trust shall be described in subparagraph (A) without regard to whether the corporation or trust is organized by 1 or more organizations described in paragraph (C).

(C) An organization is described in this subparagraph if such organization is—

(i) a qualified pension, profit sharing, or stock bonus plan that meets the requirements of section 401(a).

(ii) a governmental plan (within the meaning of section 414(d)).

(iii) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, or

(iv) any organization described in paragraph (3).

"(D) A corporation or trust shall in no event be treated as described in subparagraph (A) unless such corporation or trust permits its shareholders or beneficiaries—

(i) to dismiss the corporation's or trust's investment adviser, following reasonable notice, upon a vote of the shareholders or beneficiaries holding a majority of interest in the corporation or trust, and

(ii) to terminate their interest in the corporation or trust by either, or both, of the following alternatives, as determined by the corporation or trust:

(I) by selling or exchanging their stock in the corporation or interest in the trust (subject to any Federal or State securities law) to any organization described in subparagraph (C) so long as the sale or exchange does not increase the number of shareholders or beneficiaries in such corporation or trust above 35, or

(II) by having their stock or interest redeemed by the corporation or trust after the shareholder or beneficiary has provided 90 days notice to such corporation or trust.

In order to qualify for exemption as a titleholding company described in section 501(c)(25) of the Code, you must be organized exclusively for the purpose of acquiring and holding title to real property for the benefit of certain types of beneficiaries described in section 501(c)(25)(C). The information submitted reveals that while you have represented that you are interested in acquiring and holding title to real property, it appears that your primary activity will be research and development of the "Black Box" technology; holding title to copyrights, patents and other proprietary items relating to this technology for the benefit of beneficiaries that will be comprised of the members of your research and development team of computer experts. It appears therefore that you will be holding title to personal and/or intellectual property instead of real property for the benefit of beneficiaries who are not described in section 501(c)(25)(C).

Because you do not meet the threshold requirements for exemption under section 501(c)(25) of the Code of being organized exclusively for the purpose of acquiring, holding title to, and collecting income from real property and remitting the entire amount of such income (less expenses) to one or more beneficiaries described in section 501(c)(25)(C), we cannot recognize you as exempt under that section.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(25) of the Code and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
T:EO:RA:T:3 JC
1111 Constitution Ave, N.W.
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

(signed) Robert C Harper, Jr.

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3